

HOW TO DO BUSINESS WITH STATE PROCUREMENT

The State of Arizona

A Guide for Suppliers

Prepared by the Arizona Procurement Institute, revised April, 2008



HOW TO DO BUSINESS WITH STATE PROCUREMENT

An Invitation

You are invited to join the thousands of other businesses in Arizona and across the country in providing goods and services necessary to operate our state government. The Arizona Department of Administration, State Procurement Office (AZSPO) and our community of delegated state agencies, purchase billions of dollars worth of goods and services annually.

The AZSPO goal is to ensure that Arizona taxpayers receive quality products and services at the most competitive price. We invite all businesses to participate in the state of Arizona's purchasing process.

This booklet is a general guide that will help you understand:

- **How the state of Arizona purchases goods and services.**
- **How to register as a supplier with the state.**
- **The answers to frequently asked questions.**

You may obtain information on the laws and rules for public procurement in Arizona (Arizona Revised Statutes Title 41, Chapter 23 and Arizona Administrative Code (A.A.C.) Title 2, Chapter 7) on the AZSPO web site AZSPO website: <http://www.azdoa.gov/spo> or from most major public libraries. You may also purchase the above documents from the Secretary of State's office. Please call 602-542-4283 for more information on these documents.

We encourage you to visit the state's procurement staff members and provide them with brochures and other information about your business. Appointments are encouraged and appreciated. Contact the State Procurement Office at (602)542-5511 or visit our office at 100 N. 15th Avenue, Suite 104, Phoenix, AZ 85007 from 8:00 a.m. to 5:00 p.m. Monday through Friday.

HOW TO DO BUSINESS WITH STATE PROCUREMENT

Visit the <http://www.azdoa.gov/spo> web site

Find out about the State Procurement Office community by visiting the AZSPO web site you can:

- Check on current contracts
- Check on procurement opportunities of less than \$50,000
- Download laws and rules
- Identify procurement personnel at AZSPO and the state agencies
- Obtain a list of all the members of the Arizona State Purchasing Cooperative who may buy from state contracts

Small Businesses

Small businesses form the foundation of our thriving Arizona economy and are encouraged to compete for all state contracts. Arizona laws require that any state agency purchase of less than \$50,000 shall be made from small businesses, unless there is a reasonable and compelling reason to buy from a large business. State agencies are also required to seek rotate opportunities for small business sources each time they obtain quotations to make an informal purchase (from \$5,000 to \$50,000).

Definition of a Small Business [per A.R.S. § 41-1001(14)]

A “small business” means a concern, including its affiliates, which is independently owned and operated, which is not dominant in its field and which employs fewer than one hundred full-time employees OR which has gross annual receipts of less than four million dollars in its last fiscal year. Purchases from \$1,000 to \$50,000 must be awarded to a small business, if practicable.

Small, Women, and Minority-owned Businesses (SWMOB)

The state of Arizona seeks diversity in our community of business partners and minority-owned and women-owned businesses are encouraged to compete for all state contracts. Executive Order, 2007-21 supports the development of diversity in state contracting:

This executive order supersedes executive orders 2000-04, 2003-09, and 2004-09 related to the promotion of small, women- and minority-owned businesses. In general it now calls on executive branch agencies to solicit new suppliers, rotate suppliers, and request quotes from women- or minority-owned businesses for procurements of \$50,000 or less. For each fiscal year, agencies must track certain quotations, solicitations, and awards, and report that information to the Department of Administration on or before August 31st of each year. The report must analyze

HOW TO DO BUSINESS WITH STATE PROCUREMENT

participation and, where necessary, recommend ways to increase that participation. DOA aggregates the reports and compares data from the last three fiscal years and proposes program activities with a plan for implementation for the upcoming year in a master report to the Governor due in September. The Executive Order concludes by asking all entities that are not covered by the order to comply with its intent and requirements

State Public Procurement Structure

With the exception of highway construction, Arizona laws designate the director of the Department of Administration as the chief procurement officer for the state of Arizona. The Department of Administration's director delegated that authority to the State Procurement Office Administrator who leads the Arizona State Procurement Office (AZSPO).

The State Procurement Office Administrator further delegates procurement authority in varying dollar amounts to state agencies. Delegations range from as little as \$10,000 to unlimited authority for larger agencies. Go to the AZSPO web site to see the Agency Delegation List: <http://www.azdoa.gov/spo>.

AZSPO and other unlimited agencies solicit and administer statewide goods and services contracts for mandatory use by all state agencies and discretionary use by various political subdivisions, which join the Arizona State Purchasing Cooperative. Additionally, AZSPO provides purchasing services for state agencies which have limited purchasing authority.

As a basic rule, state agencies have unlimited authority when purchasing from existing statewide contracts. State universities are not directly under the state's procurement system, but by law are required to operate under similar rules. The Arizona Legislature, courts and some agencies are exempt from Arizona procurement laws.

Political subdivisions, comprised of Arizona towns, cities, community colleges, school and fire districts, and counties, may use AZSPO statewide contracts at their discretion. Political subdivisions generally operate under procurement rules enacted by their individual governing boards. Each political subdivision maintains its own supplier registration system. Many political subdivisions are members of the Arizona State Purchasing Cooperative. Go to the AZSPO web site to see the Agency Delegation List: <http://www.azdoa.gov/spo>.

What Suppliers Should Know About SPIRIT

The Arizona State Procurement Office's (AZSPO) current supplier registration system has been replaced with a fully automated system. The system is integrated with Arizona's paperless E-procurement system, SPIRIT, which came on line January 1, 2004.

HOW TO DO BUSINESS WITH STATE PROCUREMENT

Are you registered in SPIRIT?

The only method for suppliers to get on the state supplier list is through self-registration.

- Suppliers must self-register with the new registration system in order to participate in procurement opportunities with the AZSPO and other state agencies.
- Once registered, suppliers will electronically receive and submit all offers for requests for quotes (RFQ), invitations for bids (IFB), and requests for proposals (RFP) issued by AZSPO.
- Suppliers may update their registration information at any time.
- All state agencies rely on SPIRIT to provide supplier bid lists for solicitations for more than \$50,000.

Registration is simple, easy, and **FREE**. To begin the registration process, visit www.spirit.az.gov. Click on **SUPPLIERS**, and then click on **REGISTER**. Registration takes about ten minutes. You will need your federal ID number to complete the process.

You may obtain verbal instructions, information about SPIRIT and technical support on the SPIRIT Announcement Support Line by calling (602) 542-7600. You may also use the on-line tutorial information available at AZSPO's main website: <http://www.azdoa.gov/spo>

Supplier training is also available through the Arizona Procurement Institute. The cost is \$99 for a one-day "Doing Business with the State" class that includes demonstrations on SPIRIT and information about how to market to state agencies. Contact Cynthia Pearson by phone at (602) 542-9131 or by e-mail to Cynthia.Pearson@azdoa.gov for information or to enroll.

Suppliers should also regularly check the AZSPO website for a listing of informal solicitations (between \$10,000 and \$50,000) that may be downloaded and formal solicitations (over \$50,000) from state agencies at <http://www.azdoa.gov/spo>. It is important to check the web site routinely, because the supplier community may not see a formal (over \$50,000) solicitation opportunity for the same commodity or service for up to five (5) years.

If a supplier makes an error in the name or FEI number during the registration of a company, and saved the registration, the supplier must notify Greg Dwight at: Greg.Dwight@azdoa.gov or 602 542-8664 for assistance to correct the error. Since only one company with a given company name or FEI number can be registered at a time in SPIRIT, the program will not allow the supplier to make changes to the name or FEI number, and may reject the registration. The state must deactivate your incorrect registration. Mr. Dwight will access the SPIRIT application from the "back-end" in order to deactivate the initial registration with an incorrect FEI or company name. He will notify the company when SPIRIT is ready for the company to re-register with the correct information.

HOW TO DO BUSINESS WITH STATE PROCUREMENT

Purchasing Requirements in a ‘Nutshell’

State agencies have unlimited authority when purchasing from existing state contracts.

Threshold Levels for Procurement Methods:

0-\$1,000-\$5,000	Adequate competition and documentation required. Must be awarded to small business if practicable.
\$5,000-\$50,000	Must be awarded to small business if practicable. At least one minority-owned or woman-owned business must be solicited. Solicitations may be mailed, faxed or e-mailed to prospective suppliers. The RFQ may be posted on the AZSPO website for about 10 days or a procurement specialist may issue a Request for Quotation (“RFQ”) soliciting written quotes from at least three suppliers. A procurement specialist may also contact three small business/minority suppliers directly, since the award must be to small business if practicable.
\$50,000 and up	Formal solicitations must be issued and available to suppliers for at least 14 days. Legal advertising may also be required. The Invitation for Bid (“IFB”)¹² or Request For Proposal (“RFP”)² may be used.

How to Access State Solicitations

SPIRIT on-line automated procurement system: www.SPIRIT.az.gov

All solicitations over \$5,000 conducted by the Arizona State Procurement Office are found on this site. Eventually, all state agencies procurements over \$5,000 will be found on this site, as well.

¹The state uses an IFB for contracts expected to cost more than \$50,000 where price will be the sole basis for award. By law, the state must award contracts to the lowest responsible and responsive bidder under the IFB process.

²An RFP is used when the state agency intends to award a contract to a supplier whose proposal is determined to be the most advantageous to the state taking into consideration the evaluation factors announced in the RFP. RFPs are generally used for complex system and service contracts; when discussions may be necessary; comparison of price and quality is necessary; or when price is not the determining selection factor.

HOW TO DO BUSINESS WITH STATE PROCUREMENT

AZSPO website: <http://www.azdoa.gov/spo>

All RFQs from \$5,000 to \$50,000 are listed on this site. Formal solicitations being conducted by state agencies are also listed on this site.

Frequently Asked Questions

Q1. Who can sell goods or services to the state of Arizona?

A1 Any business that sells goods, services, or construction that the state needs.

Q2 What goods, services, or construction does the state purchase?

A2 The state purchases a wide variety of goods, services and construction. AZSPO and agencies buy services listed under nearly every category specified in our commodities and services code.

Q3 How do I register as a supplier?

A3 You may register as a supplier with the State Procurement Office on line at www.spirit.az.gov. On-line instructions may be downloaded from <http://www.azdoa.gov/spo>. Contact information, especially e-mail addresses, and commodity or service codes must be kept up-to-date by the supplier.

Q4 If I register, do I have a state contract or will the state purchase my goods or services?

A4 Registering as a supplier on SPIRIT does NOT create a contract or guarantee that the state will buy from you. Registering is the only way to make certain that you are notified of formal procurements (over \$50,000). Agencies use the supplier list to find companies to send quotes to for solicitations under \$5,000. You still must market your product or service to state agencies as you would to any other customer.

Q5 Does the state have a small business set-aside program?

A5 The state encourages small, minority-owned and women-owned businesses to compete for all contracting opportunities. Under current law, all purchases of less than \$50,000 must be made from small businesses, unless there is reasonable and compelling justification to buy from another source.

Q6 How can I market my business to the state?

A6 Procurement specialists are constantly seeking new reliable, competent, economical and timely sources for products and services. Determine the needs of the state agency and

HOW TO DO BUSINESS WITH STATE PROCUREMENT

communicate how you could meet those needs or solve their problems.

- **RESEARCH:** Find out what the agency's mission is and what they are likely to need to achieve it. Make sure you are registered in SPIRIT with the commodity or service code for those products or services. Most all state agencies have their own web sites, which may be accessed through the Arizona @ Your Service web site: www.az.gov.
- **MAKE AN APPOINTMENT:** Call the agency procurement office and make an appointment. A list of agencies and procurement officers may be found at: <http://www.azdoa.gov/spo>.
- **BE PREPARED:** Arrive early and bring your business cards, line cards and products/service literature. Ask what the agency needs and what the procurement specialist expects of the supplier. Ask when solicitations for your commodity/service are likely to be conducted.
- **ASK QUESTIONS:** Find out what products the agency generally buys and what the agency's performance expectations are.
- **OFFER SOLUTIONS:** Then describe how you can help the agency. Show how your firm can provide the product quicker or better? The state is usually not looking for all the bells and whistles, but for best value. Do you deliver? Do you provide inventory storage, overnight delivery, installation, maintenance, extended warranties, and/or training?

Q7 When are formal competitive procedures utilized by state agencies to purchase goods and services?

A7 The formal process utilizes Invitations for Bids (IFB) or Requests for Proposals (RFP) to acquire goods or services that will cost the state agencies more than \$50,000. When either of these procedures is used, all registered suppliers for the commodity or service are notified by e-mail, fax, or mail of the procurement opportunity.

IFB - used to select a supplier where the price will be the basis of the award. The state must award the contract(s) to the lowest responsible bidder(s) who is responsive to the Invitation for Bid. Generally speaking, this means a bidder who:

- Meets all the specifications
- Has the capacity and is qualified to perform the contract
- Agrees to comply with the terms and conditions of the IFB

HOW TO DO BUSINESS WITH STATE PROCUREMENT

- Completes and provides all applicable pricing information requested in the IFB
- Provides an original or electronic signature (as requested) on the Offer and Acceptance Form
- Submits the bid as instructed, by the due date and time specified
- Submits any and all information or documents required in the IFB
- Offers the lowest price

RFP – used when the state agency intends to award a contract to a responsible supplier whose proposal is determined to be the most advantageous to the state taking into consideration the evaluation factors announced in the RFP.

RFPs are generally used when qualifications, performance levels, expertise, quality of service or product performance are more important than the cost. When using the RFP process, agencies may conduct negotiations or allow proposal modifications to obtain the best value.

Q8 How can I review previous contracts or bids/proposals that have been submitted?

A8 Following completion of the evaluation process and award of the contract, you may access evaluation documents and bids/proposals on solicitations conducted in SPIRIT by going to www.spirit.az.gov and accessing the specific contract. If an agency conducted a solicitation outside of SPIRIT, contact the procurement officer for the agency and make a public records request.

Q9 What if I discover a mistake in my bid or a problem with my state contract?

A9 Call and discuss the mistake or problem with the procurement specialist assigned to the purchase or contract. Often, the procurement specialist can find a solution if the mistake or problem is discovered in time.

Q10 How soon will I be paid for products and services I sell to the state?

A10 If the invoice you submit is complete and provides the information that the contract requires, you should be paid in within 30 days after the agency has received and accepted your product or service and invoice. In order to receive prompt payment:

- Send your invoice to the agency's "bill to" address
- Always put the purchase order (PO) number on your invoice.
- Check your invoice for accuracy and conformance with the price and other terms of

HOW TO DO BUSINESS WITH STATE PROCUREMENT

the contract

- Ask about partial deliveries prior to making one. Some agencies do not accept them.
- Offer prompt payment discounts.
- Accept the state's procurement card: U.S. Bank, VISA card.

Q11 What should I do if I do not receive payment on my invoice?

A11 If your payment is late, call the agency's procurement office or accounts payable clerk and ask about its status. If your invoice is late, you may be due interest. Call the agency's account manager and ask about the state's payment policy.

Arizona Procurement Institute

Arizona offers a one-day class for businesses to learn about state procurement and how to offer on the SPIRIT system. The cost is \$99. Contact Cindy Pearson at Cynthia.Pearson@azdoa.gov or (602) 542-9131 for more information or to register for the next class. Classes are scheduled on a demand basis.

Business associations such as chambers of commerce may also schedule training at their locations at group rates. Contact Pamela S. Reay, CPBM CPPB, MAEd to arrange special training or a speaker for your events.

Purchasing Card Program

It is to your advantage to accept the state's U.S. Bank, VISA procurement card. Most state solicitations will require its acceptance. The Purchasing Card Program is currently used primarily for small dollar purchases under \$5,000 inclusive of tax, delivery and any other additional Purchases can be made from state or agency contract suppliers, or if the item is not covered under such a contract, from a supplier selected in accordance with purchasing policies and procedures. Off-contract purchases may be conducted under \$200. For more information about the Arizona State P-card, contact Angela Dillard, ADOA/GAO, Professional Practices Administrator. She may be reached by phone at (602) 542-7048; by Fax: (602) 542-7066; or send e-mail to angela.dillard@azdoa.gov.

Grant Opportunities

Both competitive and non-competitive grant opportunities are also available from the state. Because such opportunities are managed under different code requirements than those for procurements, you should contact the agencies directly who govern the services you would like to provide.